

TOWNSHIP OF PENTLAND
Luce County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Pentland	County Luce
Fiscal Year End March 31, 2008	Opinion Date May 15, 2008	Date Audit Report Submitted to State May 21, 2008	

We affirm that:

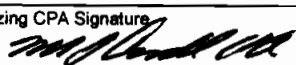
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-------------------------------------|--------------------------|---|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF PENTLAND
Luce County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 15, 2008

To the Township Board
Township of Pentland
Luce County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Pentland, Luce County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Pentland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Pentland, Luce County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2008, on our consideration of the Township of Pentland's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF PENTLAND
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Pentland covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$548,994.86 for governmental activities and \$1,911,922.42 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$497,878.23 (\$256,769.91 from governmental activities and \$241,108.32 from business-type activities). Governmental activities had a \$38,372.33 decrease in net assets. Business-type activities had a decrease in net assets of \$66,775.71.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF PENTLAND
Luce County, Michigan
CONDENSED FINANCIAL INFORMATION
For the Year Ended March 31, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	280 557	262 185	101 518	95 245	382 075	357 430
Restricted Assets	-	-	105 600	83 575	105 600	83 575
Capital Assets	10 000	10 000	2 815 569	2 738 411	2 825 569	2 748 411
Total Assets	290 557	272 185	3 022 687	2 917 231	3 313 244	3 189 416
Current Liabilities	(296 810)	(276 810)	316 239	296 239	19 429	19 429
Non-current Liabilities	-	-	727 750	709 000	727 750	709 000
Total Liabilities	(296 810)	(276 810)	1 043 989	1 005 239	747 179	728 429
Net Assets:						
Invested in Capital Assets	10 000	10 000	1 771 580	1 733 172	1 781 580	1 743 172
Restricted	-	-	105 600	83 575	105 600	83 575
Unrestricted	577 367	538 995	101 518	95 245	678 885	634 240
Total Net Assets	587 367	548 995	1 978 698	1 911 992	2 566 065	2 460 987
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for services	14 050	10 818	201 156	206 013	215 206	216 831
General Revenues:						
Property Taxes	32 006	35 273	-	-	32 006	35 273
Other Taxes	26 896	26 236	-	-	26 896	26 236
State Revenue Sharing	170 190	166 436	-	-	170 190	166 436
Interest	7 929	9 230	6 521	5 646	14 450	14 876
Miscellaneous	2 268	8 777	-	29 450	2 268	38 227
Total Revenues	253 339	256 770	207 677	241 109	461 016	497 879
Program Expenses:						
Legislative	1 680	1 824	-	-	1 680	1 824
General Government	117 987	121 002	-	-	117 987	121 002
Public Safety	70 340	72 961	-	-	70 340	72 961
Public Works	10 232	80 143	222 433	307 815	232 665	387 958
Other	18 758	19 212	-	-	18 758	19 212
Total Expenses	218 997	295 142	222 433	307 815	441 430	602 957
Increase (decrease) in Net Assets	34 342	(38 372)	(14 756)	(66 706)	19 586	(105 078)
Net Assets, April 1	553 025	587 367	1 993 454	1 978 698	2 546 479	2 566 065
Net Assets, March 31	587 367	548 995	1 978 698	1 911 992	2 566 065	2 460 987

TOWNSHIP OF PENTLAND
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Liquor Fund, the Water Fund and the Sewer Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Liquor Fund.

Business-Type Funds: The Township has a Water Fund and a Sewer Fund which include the activity of providing water and sewer to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant were roads and fire protection which incurred expenses of \$74,549.14 and \$68,607.83, respectively. The Water and Sewer Funds incurred \$77,157.65 in depreciation expense and \$230,656.38 in other expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$18,750.00 of principal on the water and sewer bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow at a moderate rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 906-293-5857.

TOWNSHIP OF PENTLAND
Luce County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash in bank	257 241 14	88 732 37	345 973 51
Petty cash	100 00	-	100 00
Accounts receivable	-	6 512 85	6 512 85
Taxes receivable	<u>4 843 72</u>	<u>-</u>	<u>4 843 72</u>
Total current assets	<u>262 184 86</u>	<u>95 245 22</u>	<u>357 430 08</u>
Restricted assets:			
Cash in bank	<u>-</u>	<u>83 575 00</u>	<u>83 575 00</u>
Total restricted assets	<u>-</u>	<u>83 575 00</u>	<u>83 575 00</u>
Capital assets:			
Capital assets	60 200 00	3 857 882 00	3 918 082 00
Accumulated depreciation	<u>(50 200 00)</u>	<u>(1 119 470 80)</u>	<u>(1 169 670 80)</u>
Total capital assets	<u>10 000 00</u>	<u>2 738 411 20</u>	<u>2 748 411 20</u>
TOTAL ASSETS	<u><u>272 184 86</u></u>	<u><u>2 917 231 42</u></u>	<u><u>3 189 416 28</u></u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Internal balances	(276 810 00)	276 810 00	-
Accrued interest payable	-	679 00	679 00
Current portion of long-term debt	<u>-</u>	<u>18 750 00</u>	<u>18 750 00</u>
Total current liabilities	<u>(276 810 00)</u>	<u>296 239 00</u>	<u>19 429 00</u>
Long-term liabilities:			
Bonds payable	-	727 750 00	727 750 00
Less current portion	<u>-</u>	<u>(18 750 00)</u>	<u>(18 750 00)</u>
Total long-term liabilities	<u>-</u>	<u>709 000 00</u>	<u>709 000 00</u>
Net assets:			
Invested in capital assets, net of related debt	10 000 00	1 733 172 20	1 743 172 20
Restricted for debt service	-	83 575 00	83 575 00
Unrestricted	<u>538 994 86</u>	<u>95 245 22</u>	<u>634 240 08</u>
Total net assets	<u>548 994 86</u>	<u>1 911 992 42</u>	<u>2 460 987 28</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>272 184 86</u></u>	<u><u>2 917 231 42</u></u>	<u><u>3 189 416 28</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	1 824 00	-	(1 824 00)
General government	121 002 37	10 817 59	(110 184 78)
Public safety	72 960 73	-	(72 960 73)
Public works	80 143 22	-	(80 143 22)
Other	<u>19 211 92</u>	<u>-</u>	<u>(19 211 92)</u>
Total Governmental Activities	<u>295 142 24</u>	<u>10 817 59</u>	<u>(284 324 65)</u>
Business-Type Activities:			
Water and sewer	<u>307 814 03</u>	<u>206 012 59</u>	<u>-</u>
Total Business-Type Activities	<u>307 814 03</u>	<u>206 012 59</u>	<u>-</u>
Total Government	<u><u>602 956 27</u></u>	<u><u>216 830 18</u></u>	<u><u>(284 324 65)</u></u>
General Revenues:			
Property taxes			35 273 32
Other taxes			26 235 72
State revenue sharing			166 436 36
Interest			9 230 41
Miscellaneous			<u>8 776 51</u>
Total General Revenues			<u>245 952 32</u>
Change in net assets			(38 372 33)
Net assets, beginning of year			<u>587 367 19</u>
Net Assets, End of Year			<u><u>548 994 86</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(1 824 00)
-	(110 184 78)
-	(72 960 73)
-	(80 143 22)
-	(19 211 92)
-	(284 324 65)
<u>(101 801 44)</u>	<u>(101 801 44)</u>
<u>(101 801 44)</u>	<u>(101 801 44)</u>
<u>(101 801 44)</u>	<u>(386 126 09)</u>
-	35 273 32
-	26 235 72
-	166 436 36
5 645 73	14 876 14
<u>29 450 00</u>	<u>38 226 51</u>
<u>35 095 73</u>	<u>281 048 05</u>
(66 705 71)	(105 078 04)
<u>1 978 698 13</u>	<u>2 566 065 32</u>
<u>1 911 992 42</u>	<u>2 460 987 28</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Other Funds (Liquor)</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	243 081 54	2 322 65	245 404 19
Petty cash	100 00	-	100 00
Taxes receivable	4 843 72	-	4 843 72
Due from other funds	<u>288 646 95</u>	<u>-</u>	<u>288 646 95</u>
Total Assets	<u>536 672 21</u>	<u>2 322 65</u>	<u>538 994 86</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>536 672 21</u>	<u>2 322 65</u>	<u>538 994 86</u>
Total fund equity	<u>536 672 21</u>	<u>2 322 65</u>	<u>538 994 86</u>
Total Liabilities and Fund Equity	<u>536 672 21</u>	<u>2 322 65</u>	<u>538 994 86</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 538 994 86

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	60 200 00
Accumulated depreciation	<u>(50 200 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 548 994 86

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Other Funds (Liquor)</u>	<u>Total</u>
Revenues:			
Property taxes	35 273 32	-	35 273 32
Other taxes	26 235 72	-	26 235 72
State revenue sharing	164 113 71	2 322 65	166 436 36
Charges for services:			
Property tax administration	9 517 59	-	9 517 59
Interest	9 230 41	-	9 230 41
Rents	1 300 00	-	1 300 00
Miscellaneous	8 776 51	-	8 776 51
Total revenues	<u>254 447 26</u>	<u>2 322 65</u>	<u>256 769 91</u>
Expenditures:			
Legislative:			
Township Board	1 824 00	-	1 824 00
General government:			
Supervisor	11 866 32	-	11 866 32
Elections	2 005 53	-	2 005 53
Assessor	18 158 22	-	18 158 22
Clerk	10 504 70	-	10 504 70
Board of Review	1 007 85	-	1 007 85
Treasurer	11 021 49	-	11 021 49
Building and grounds	25 941 82	-	25 941 82
Unallocated	40 496 44	-	40 496 44
Public safety:			
Law enforcement	2 000 00	2 352 90	4 352 90
Fire protection	68 607 83	-	68 607 83
Public works:			
Highways and streets	74 549 14	-	74 549 14
Street lighting	5 594 08	-	5 594 08
Other functions:			
Insurance	19 211 92	-	19 211 92
Total expenditures	<u>292 789 34</u>	<u>2 352 90</u>	<u>295 142 24</u>
Excess (deficiency) of revenues over expenditures	(38 342 08)	(30 25)	(38 372 33)
Fund balances, April 1	<u>575 014 29</u>	<u>2 352 90</u>	<u>577 367 19</u>
Fund Balances, March 31	<u><u>536 672 21</u></u>	<u><u>2 322 65</u></u>	<u><u>538 994 86</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (38 372 33)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

-
-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(38 372 33)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2007 and 2008

	<u>Sewer Fund</u>		<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>
<u>Assets</u>				
Current assets:				
Cash in bank	46 692 85	44 290 01	48 496 58	44 442 36
Accounts receivable	5 128 60	4 883 19	1 200 25	1 629 66
Total current assets	<u>51 821 45</u>	<u>49 173 20</u>	<u>49 696 83</u>	<u>46 072 02</u>
Restricted assets:				
Cash in bank	-	-	105 600 00	83 575 00
Total restricted assets	<u>-</u>	<u>-</u>	<u>105 600 00</u>	<u>83 575 00</u>
Fixed assets:				
Sewer system	963 624 00	963 624 00	-	-
Water system	-	-	2 894 258 00	2 894 258 00
Accumulated depreciation	(483 907 63)	(503 180 12)	(558 405 52)	(616 290 68)
Net fixed assets	<u>479 716 37</u>	<u>460 443 88</u>	<u>2 335 852 48</u>	<u>2 277 967 32</u>
Total Assets	<u>531 537 82</u>	<u>509 617 08</u>	<u>2 491 149 31</u>	<u>2 407 614 34</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Due to other funds	218 000 00	208 000 00	78 810 00	68 810 00
Accrued interest payable	679 00	679 00	-	-
Current portion of long-term debt	7 750 00	7 750 00	11 000 00	11 000 00
Total current liabilities	<u>226 429 00</u>	<u>216 429 00</u>	<u>89 810 00</u>	<u>79 810 00</u>
Long-term liabilities:				
Bonds payable	70 500 00	62 750 00	676 000 00	665 000 00
Less current portion	(7 750 00)	(7 750 00)	(11 000 00)	(11 000 00)
Total long-term liabilities	<u>62 750 00</u>	<u>55 000 00</u>	<u>665 000 00</u>	<u>654 000 00</u>
Net assets:				
Invested in capital assets, net of related debt	190 537 37	189 014 88	1 581 042 48	1 544 157 32
Restricted for debt service	-	-	105 600 00	83 575 00
Unrestricted	51 821 45	49 173 20	49 696 83	46 072 02
Total net assets	<u>242 358 82</u>	<u>238 188 08</u>	<u>1 736 339 31</u>	<u>1 673 804 34</u>
Total Liabilities and Net Assets	<u>531 537 82</u>	<u>509 617 08</u>	<u>2 491 149 31</u>	<u>2 407 614 34</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>3/31/07</u>	<u>3/31/08</u>
95 189 43	88 732 37
<u>6 328 85</u>	<u>6 512 85</u>
<u>101 518 28</u>	<u>95 245 22</u>
105 600 00	83 575 00
<u>105 600 00</u>	<u>83 575 00</u>
963 624 00	963 624 00
2 894 258 00	2 894 258 00
<u>(1 042 313 15)</u>	<u>(1 119 470 80)</u>
<u>2 815 568 85</u>	<u>2 738 411 20</u>
<u>3 022 687 13</u>	<u>2 917 231 42</u>
296 810 00	276 810 00
679 00	679 00
<u>18 750 00</u>	<u>18 750 00</u>
<u>316 239 00</u>	<u>296 239 00</u>
746 500 00	727 750 00
<u>(18 750 00)</u>	<u>(18 750 00)</u>
<u>727 750 00</u>	<u>709 000 00</u>
1 771 579 85	1 733 172 20
105 600 00	83 575 00
<u>101 518 28</u>	<u>95 245 22</u>
<u>1 978 698 13</u>	<u>1 911 992 42</u>
<u>3 022 687 13</u>	<u>2 917 231 42</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2007 and 2008

	<u>Sewer Fund</u>		<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>
Operating revenues:				
Charges for services	81 624 33	79 568 02	119 532 04	126 444 57
Miscellaneous	-	-	-	29 450 00
Total operating revenues	<u>81 624 33</u>	<u>79 568 02</u>	<u>119 532 04</u>	<u>155 894 57</u>
Operating expenses:				
Wages	22 431 80	23 231 64	24 376 52	25 254 24
Benefits	1 716 05	1 777 25	2 061 51	2 328 38
Supplies	491 67	729 51	2 378 19	3 945 47
Utilities	4 393 33	4 645 22	8 521 89	8 880 79
Repairs and maintenance	163 62	710 39	4 884 37	89 676 90
Insurance	235 00	200 00	455 00	420 00
Treatment costs	28 957 97	31 749 09	1 892 03	554 44
Miscellaneous	216 60	-	7 520 16	2 855 56
Total operating expenses before depreciation	<u>58 606 04</u>	<u>63 043 10</u>	<u>52 089 67</u>	<u>133 915 78</u>
Operating income (loss) before depreciation	23 018 29	16 524 92	67 442 37	21 978 79
Less: depreciation	<u>(19 272 49)</u>	<u>(19 272 49)</u>	<u>(57 885 16)</u>	<u>(57 885 16)</u>
Operating income (loss)	<u>3 745 80</u>	<u>(2 747 57)</u>	<u>9 557 21</u>	<u>(35 906 37)</u>
Non-operating income and (expense):				
Interest income	2 413 96	2 101 83	4 107 10	3 543 90
Interest expense	<u>(3 912 50)</u>	<u>(3 525 00)</u>	<u>(30 667 50)</u>	<u>(30 172 50)</u>
Net non-operating income and (expense)	<u>(1 498 54)</u>	<u>(1 423 17)</u>	<u>(26 560 40)</u>	<u>(26 628 60)</u>
Change in net assets	2 247 26	(4 170 74)	(17 003 19)	(62 534 97)
Net assets, April 1	<u>240 111 56</u>	<u>242 358 82</u>	<u>1 753 342 50</u>	<u>1 736 339 31</u>
Net Assets, March 31	<u>242 358 82</u>	<u>238 188 08</u>	<u>1 736 339 31</u>	<u>1 673 804 34</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>3/31/07</u>	<u>3/31/08</u>
201 156 37	206 012 59
-	29 450 00
<u>201 156 37</u>	<u>235 462 59</u>
46 808 32	48 485 88
3 777 56	4 105 63
2 869 86	4 674 98
12 915 22	13 526 01
5 047 99	90 387 29
690 00	620 00
30 850 00	32 303 53
<u>7 736 76</u>	<u>2 855 56</u>
<u>110 695 71</u>	<u>196 958 88</u>
90 460 66	38 503 71
<u>(77 157 65)</u>	<u>(77 157 65)</u>
<u>13 303 01</u>	<u>(38 653 94)</u>
6 521 06	5 645 73
<u>(34 850 00)</u>	<u>(33 697 50)</u>
<u>(28 580 94)</u>	<u>(28 051 77)</u>
(14 755 93)	(66 705 71)
<u>1 993 454 06</u>	<u>1 978 698 13</u>
<u>1 978 698 13</u>	<u>1 911 992 42</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF CASH FLOWS
BUSINESS-TYPE FUNDS
Year ended March 31, 2007 and 2008

	<u>Sewer Fund</u>		<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>
Cash flows from operating activities:				
Cash received from customers	82 125 36	79 813 43	119 491 90	126 015 16
Cash payments to suppliers for goods and services	(36 174 24)	(39 811 46)	(27 713 15)	(108 661 54)
Cash payments to employees for services	(22 431 80)	(23 231 64)	(24 376 52)	(25 254 24)
Other operating receipts	-	-	-	29 450 00
Net cash provided (used) for operating activities	<u>23 519 32</u>	<u>16 770 33</u>	<u>67 402 23</u>	<u>21 549 38</u>
Cash flows from non-capital and related financing activities:				
Increase (decrease) in amounts due to other funds	<u>(8 000 00)</u>	<u>(10 000 00)</u>	<u>(8 000 00)</u>	<u>(10 000 00)</u>
Net cash provided (used) for non-capital and related financing activities	<u>(8 000 00)</u>	<u>(10 000 00)</u>	<u>(8 000 00)</u>	<u>(10 000 00)</u>
Cash flows from capital and related financing activities:				
Principal paid on revenue bond maturities	(7 750 00)	(7 750 00)	(11 000 00)	(11 000 00)
Interest paid on revenue bonds and equipment contracts	<u>(3 912 50)</u>	<u>(3 525 00)</u>	<u>(30 667 50)</u>	<u>(30 172 50)</u>
Net cash provided (used) for capital and related financing activities	<u>(11 662 50)</u>	<u>(11 275 00)</u>	<u>(41 667 50)</u>	<u>(41 172 50)</u>
Cash flows from investing activities:				
Interest income	<u>2 413 96</u>	<u>2 101 83</u>	<u>4 107 10</u>	<u>3 543 90</u>
Net cash provided (used) for investing activities	<u>2 413 96</u>	<u>2 101 83</u>	<u>4 107 10</u>	<u>3 543 90</u>
Net increase (decrease) in cash and cash equivalents	6 270 78	(2 402 84)	21 841 83	(26 079 22)
Cash and cash equivalents, April 1	<u>40 422 07</u>	<u>46 692 85</u>	<u>132 254 75</u>	<u>154 096 58</u>
Cash and Cash Equivalents, March 31	<u>46 692 85</u>	<u>44 290 01</u>	<u>154 096 58</u>	<u>128 017 36</u>
Reconciliation of operating to net cash provided (used) for operating activities:				
Operating income (loss)	3 745 80	(2 747 57)	9 557 21	(35 906 37)
Depreciation	19 272 49	19 272 49	57 885 16	57 885 16
Increase (decrease) in assets and liabilities	<u>501 03</u>	<u>245 41</u>	<u>(40 14)</u>	<u>(429 41)</u>
Net Cash Provided (Used) for Operating Activities	<u>23 519 32</u>	<u>16 770 33</u>	<u>67 402 23</u>	<u>21 549 38</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>3/31/07</u>	<u>3/31/08</u>
201 617 26	205 828 59
(63 887 39)	(148 473 00)
(46 808 32)	(48 485 88)
-	29 450 00
<u>90 921 55</u>	<u>38 319 71</u>
<u>(16 000 00)</u>	<u>(20 000 00)</u>
<u>(16 000 00)</u>	<u>(20 000 00)</u>
(18 750 00)	(18 750 00)
<u>(34 580 00)</u>	<u>(33 697 50)</u>
<u>(53 330 00)</u>	<u>(52 447 50)</u>
<u>6 521 06</u>	<u>5 645 73</u>
<u>6 521 06</u>	<u>5 645 73</u>
28 112 61	(28 482 06)
<u>172 676 82</u>	<u>200 789 43</u>
<u>200 789 43</u>	<u>172 307 17</u>
13 303 01	(38 653 94)
77 157 65	77 157 65
<u>460 89</u>	<u>(184 00)</u>
<u>90 921 55</u>	<u>38 319 71</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Pentland, Luce County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Pentland. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expense when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was .9399 mills, and the taxable value was \$38,897,488.00.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	10 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>507 461 85</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	263 259 65
Uninsured and Uncollateralized	<u>244 202 20</u>
Total Deposits	<u>507 461 85</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk (continued)

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	11 836 95	Current Tax Collection	11 836 95
General	208 000 00	Sewer	208 000 00
General	68 810 00	Water	68 810 00
Total	<u>288 646 95</u>	Total	<u>288 646 95</u>

Note 5 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
<u>Governmental Activities:</u>				
Land	10 000 00	-	-	10 000 00
Buildings	40 000 00	-	-	40 000 00
Equipment	10 200 00	-	-	10 200 00
Total	60 200 00	-	-	60 200 00
Accumulated Depreciation	<u>(50 200 00)</u>	<u>-</u>	<u>-</u>	<u>(50 200 00)</u>
Net Governmental Capital Assets	<u>10 000 00</u>	<u>-</u>	<u>-</u>	<u>10 000 00</u>
<u>Business-Type Activities:</u>				
Water and Sewer System	3 857 882 00	-	-	3 857 882 00
Accumulated Depreciation	<u>(1 042 313 15)</u>	<u>(77 157 65)</u>	<u>-</u>	<u>(1 119 470 80)</u>
Net Business-Type Capital Assets	<u>2 815 568 85</u>	<u>(77 157 65)</u>	<u>-</u>	<u>2 738 411 20</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 6 – Sewer Revenue Bonds Payable

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
Luce County D.P.W. Obligation Payable	8/1/76	201 250	5%

<u>Payable Fiscal Year Ended March 31</u>	<u>September 1 Interest</u>	<u>March 1 Principal</u>	<u>March 1 Interest</u>	<u>Total</u>
2009	1 568 75	7 750 00	1 568 75	10 887 50
2010	1 375 00	7 750 00	1 375 00	10 500 00
2011	1 181 25	7 750 00	1 181 25	10 112 50
2012	987 50	7 750 00	987 50	9 725 00
2013	793 75	7 750 00	793 75	9 337 50
2014	600 00	8 000 00	600 00	9 200 00
2015	400 00	8 000 00	400 00	8 800 00
2016	200 00	8 000 00	200 00	8 400 00
Totals	<u>7 106 25</u>	<u>62 750 00</u>	<u>7 106 25</u>	<u>76 962 50</u>

Note 7 – Water Revenue Bonds Payable

<u>Due Date July 1</u>	<u>Series 1997A Principal</u>	<u>Series 1997B Principal</u>
2008	10 000 00	1 000 00
2009	10 000 00	1 000 00
2010	10 000 00	1 000 00
2011	10 000 00	1 000 00
2012	10 000 00	1 000 00
2013	10 000 00	1 000 00
2014	15 000 00	1 000 00
2015	15 000 00	1 000 00
2016	15 000 00	1 000 00
2017	15 000 00	1 000 00
2018	15 000 00	1 000 00
2019	15 000 00	1 000 00
2020	15 000 00	1 000 00
2021	20 000 00	1 500 00
2022	20 000 00	1 500 00
2023	20 000 00	1 500 00
2024	20 000 00	1 500 00
2025	20 000 00	1 500 00
2026	25 000 00	1 500 00
2027	25 000 00	1 500 00
2028	25 000 00	1 500 00
2029	25 000 00	1 500 00

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – Water Revenue Bonds Payable (continued)

<u>Due Date</u> <u>July 1</u>	<u>Series 1997A</u> <u>Principal</u>	<u>Series 1997B</u> <u>Principal</u>
2030	30 000 00	1 500 00
2031	30 000 00	1 500 00
2032	30 000 00	1 500 00
2033	30 000 00	1 500 00
2034	35 000 00	1 500 00
2035	35 000 00	2 000 00
2036	35 000 00	2 000 00
2037	<u>35 000 00</u>	<u>2 000 00</u>
Totals	<u><u>625 000 00</u></u>	<u><u>40 000 00</u></u>

The Water Fund revenue bonds require the establishment of a bond reserve account and a capital reserve account. As of March 31, 2008, the reserve accounts are as follows:

<u>Account</u>	<u>Required</u> <u>Reserve</u>	<u>Actual</u> <u>Reserve</u>	<u>Difference</u>
Bond Reserve	41 500 00	41 500 00	-
Capital Reserve	165 900 00	42 075 00	123 825 00

The Township of Pentland maintains that expenditures for capital items account for the difference in the capital reserve.

Note 8 – Deferred Compensation Plan

The Township of Pentland offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets may not be diverted to any other use. The administrators, Prudential and Nationwide Retirement Systems are agents of the Township of Pentland for the purposes of providing direction to the investment of the funds held in the account. The deferred compensation plan balances and activities are not reflected in the Township of Pentland's financial statements.

Note 9 – Pension Plan

The Township does not have a pension plan.

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 11 – Segment Information for Enterprise Funds

The Township maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2008, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	79 568 02	155 894 57
Depreciation expense	19 272 49	57 885 16
Change in net assets	(4 170 74)	(62 534 97)
Operating income (loss)	(2 747 57)	(35 906 37)
Bonds payable	62 750 00	665 000 00
Net working capital	(167 255 80)	(33 737 98)
Net assets	238 188 08	1 673 804 34

Note 12 – Building Permits

The Township of Pentland does not issue building permits. Building permits are issued by the County of Luce.

TOWNSHIP OF PENTLAND
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	34 000 00	34 000 00	35 273 32	1 273 32
Other taxes	29 000 00	29 000 00	26 235 72	(2 764 28)
State revenue sharing	168 000 00	168 000 00	164 113 71	(3 886 29)
Charges for services:				
Property tax administration	12 500 00	12 500 00	9 517 59	(2 982 41)
Interest	4 500 00	4 500 00	9 230 41	4 730 41
Rents	1 500 00	1 500 00	1 300 00	(200 00)
Miscellaneous	2 000 00	2 000 00	8 776 51	6 776 51
Total revenues	251 500 00	251 500 00	254 447 26	2 947 26
Expenditures:				
Legislative:				
Township Board	2 350 00	2 350 00	1 824 00	(526 00)
General government:				
Supervisor	11 890 00	11 890 00	11 866 32	(23 68)
Elections	1 300 00	2 100 00	2 005 53	(94 47)
Assessor	17 940 00	18 159 00	18 158 22	(78)
Clerk	10 830 00	10 830 00	10 504 70	(325 30)
Board of Review	1 100 00	1 100 00	1 007 85	(92 15)
Treasurer	11 720 00	11 720 00	11 021 49	(698 51)
Building and grounds	29 600 00	26 612 00	25 941 82	(670 18)
Unallocated	46 300 00	41 615 00	40 496 44	(1 118 56)
Public safety:				
Law enforcement	2 500 00	2 246 00	2 000 00	(246 00)
Fire protection	75 300 00	68 608 00	68 607 83	(17)
Public works:				
Highways and streets	56 000 00	74 600 00	74 549 14	(50 86)
Street lighting	6 000 00	6 000 00	5 594 08	(405 92)
Culture and recreation:				
Recreation	400 00	400 00	-	(400 00)
Other functions:				
Insurance	21 500 00	21 500 00	19 211 92	(2 288 08)
Contingency	5 000 00	-	-	-
Total expenditures	299 730 00	299 730 00	292 789 34	(6 940 66)
Excess (deficiency) of revenues over expenditures	(48 230 00)	(48 230 00)	(38 342 08)	9 887 92
Fund balance, April 1	560 000 00	560 000 00	575 014 29	15 014 29
Fund Balance, March 31	511 770 00	511 770 00	536 672 21	24 902 21

TOWNSHIP OF PENTLAND
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	1 824 00
Supervisor:	
Salary	11 716 32
Travel	150 00
	<u>11 866 32</u>
Elections:	
Wages	1 097 00
Supplies	329 94
Miscellaneous	578 59
	<u>2 005 53</u>
Assessor:	
Wages	11 488 32
Education and training	435 00
Manatron – tax roll	4 033 03
Postage and supplies	1 415 86
Travel	786 01
	<u>18 158 22</u>
Clerk:	
Salary	9 376 56
Supplies	348 74
Printing and publishing	779 40
	<u>10 504 70</u>
Board of Review:	
Wages	836 00
Miscellaneous	171 85
	<u>1 007 85</u>
Treasurer:	
Salary	7 901 76
Salary – deputy	2 358 72
Supplies	761 01
	<u>11 021 49</u>
Building and grounds:	
Wages	9 798 48
Supplies	567 25
Contracted services	4 714 38
Utilities	1 958 13
Fuel oil	6 338 15
Repairs and maintenance	807 43
Miscellaneous	1 758 00
	<u>25 941 82</u>
Unallocated:	
Audit	3 500 00
Legal fees	1 114 56
Administrative deputy	28 675 60
Payroll taxes	6 363 68
Dues	807 60
Miscellaneous	35 00
	<u>40 496 44</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Law enforcement	<u>2 000 00</u>
Fire protection:	
Contracted services	27 807 83
Hydrant rental	<u>40 800 00</u>
	<u>68 607 83</u>
Highways and streets:	
Maintenance	<u>74 549 14</u>
Street lighting	<u>5 594 08</u>
Insurance	<u>19 211 92</u>
Total Expenditures	<u><u>292 789 34</u></u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>581 03</u>	<u>899 839 04</u>	<u>811 121 39</u>	<u>89 298 68</u>
<u>Liabilities</u>				
Due to other funds	581 03	45 257 00	34 001 08	11 836 95
Due to other units	<u>-</u>	<u>854 582 04</u>	<u>777 120 31</u>	<u>77 461 73</u>
Total Liabilities	<u>581 03</u>	<u>899 839 04</u>	<u>811 121 39</u>	<u>89 298 68</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>581 03</u>
Cash receipts:	
Property taxes	898 609 98
Interest	<u>1 229 06</u>
Total cash receipts	<u>899 839 04</u>
Total beginning balance and cash receipts	<u>900 420 07</u>
Cash disbursements:	
Township General Fund	34 001 08
Luce County	433 799 86
Eastern U.P. Intermediate School District	22 410 13
Tahquamenon Area Schools	274 951 03
State of Michigan	<u>45 959 299</u>
Total cash disbursements	<u>811 121 39</u>
Cash in Bank – End of Year	<u>89 298 68</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 15, 2008

To the Township Board
Township of Pentland
Luce County, Michigan

We have audited the financial statements of the Township of Pentland, Luce County, Michigan, as of and for the year ended March 31, 2008, and have issued our report thereon dated May 15, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Pentland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Township of Pentland's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Township there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co., P.C.
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Certified Public Accountants

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 15, 2008

To the Township Board
Township of Pentland
Luce County, Michigan

We have audited the financial statements of the Township of Pentland for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Pentland in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Pentland
Luce County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants